

Meeting Date: 11/3/09

AGENDA REPORT

City of Santa Clara, California

Agenda Item #

12A



Date: November 26, 2008
To: City Manager for Council Action
From: John C. Roukema, Director of Electric Utility
Subject: Approval of Amendment No. 2 to Call No. 07-1 with Humitech of Northern California, LLC to Extend the Third Party "Keep Your Cool" Energy Efficiency Program for Businesses and Appropriation of Additional Public Benefit Funds

EXECUTIVE SUMMARY:

In accordance with Public Utilities Code (PUC) Section 385 covering Public Benefits Charge (PBC), and with the City's Public Benefits Program Policy Statement adopted by Council on May 12, 1998, Silicon Valley Power (SVP) staff has developed a wide range of cost-effective energy efficiency and renewable energy programs for customers. State law requires that SVP spend a minimum of 2.85% of retail revenue on these programs, in order to encourage customer investments by reducing the payback period in these areas.

On April 3, 2007, Council approved and authorized the City Manager to execute Call No. 07-1 with Humitech of Northern California, LLC to provide a Third Party "Keep Your Cool" Energy Efficiency Program for Businesses. Amendment No. 1 to Call No. 07-1 was approved by Council on April 1, 2008 to extend the program through June 30, 2009 at no additional cost. Since the program was extended, there has been a significant increase in program participation and the program is now fully subscribed, with additional customer demand for the program. Therefore, Amendment No. 2 to the existing Call No. 07-1 is needed, which will request additional funding in the amount of \$130,000.00 and will extend the program until November 30, 2009, an additional five months. A copy of Amendment No. 2 to Call No. 07-1 with Humitech is available for review in the Council Offices.

In order to do fund this increase for Call No. 07-1, a budget appropriation from unallocated Public Benefit funds collected in previous years, but not spent, will be required. Not all public benefit funds SVP has collected have been expended due to lower participation in programs during prior years. To boost participation, SVP has pursued third party energy efficiency programs to bring specialized programs to target hard-to-reach customers. In order to continue to expand these successful programs, SVP requests Council approval of additional appropriations from the public benefit charges received in prior years. These funds are required by law to be used for intended Public Benefit programs.

ADVANTAGES AND DISADVANTAGES OF ISSUE:

This program, already offered in the East Bay and in Santa Clara for the past year, has proven to be an effective way to motivate hard to reach businesses and help them install energy efficiency measures. Customers who utilize this program will use energy more efficiently. In addition, if SVP does not spend sufficient money to incentivize customers to implement cost-effective energy efficiency measures, SVP will be in violation of state law.

ECONOMIC/FISCAL IMPACT:

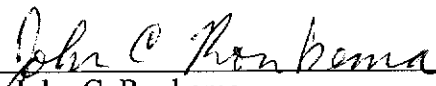
The cost of Amendment No. 2 to Call No. 07-1 is \$130,000.00, for a total not to exceed of \$385,646.00. Sufficient funds are available in the Electric Public Benefits Charge (PBC) Fund Contractual Services, Not Classified, (account 191-1312-87870-(I)9695-(F)94100).

In addition, staff is expecting to continue related programs with other vendors which will require appropriation of an additional \$1,000,000.00 to Electric PBC Fund Contractual Services, Not Classified, account 191-1312-87870 (I)9695-(F)94100. Funds are available in the Unallocated Public Benefits Appropriations (account 191-1312-88000).

RECOMMENDATION:

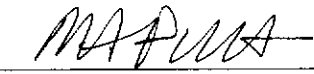
That Council

- 1) approve, and authorize the City Manager to execute, Amendment No. 2 to Call No. 07-1 with Humitech of Northern California, LLC, in an amount not to exceed \$130,000.00, for a total not to exceed amount for Call No. 07-1 of \$385,656.00; and
- 2) approve an appropriation of \$1,000,000.00 from Unallocated Public Benefits Appropriations (account 191-1312-88000) to Electric PBC Fund Contractual Services, Not Classified, account 191-1312-87870-(I)9695-(F)94100.

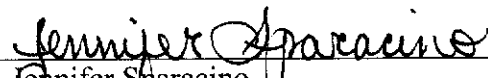

John C. Roukema
Director of Electric Utility

Certified as to Availability of Funds:

191-1312-87870-9695 \$ 130,000.00
191-1312-88000 \$1,000,000.00


Mary Ann Parrot
Director of Finance

APPROVED:


Jennifer Sparacino
City Manager

LIVE COUNCIL VOTES

Documents Related to this Report:

- 1) Humitech Northern California LLC Amendment 2 to Call No 07-1 and Scope of Work

**AMENDMENT NO. 2 TO CALL NO. 07-1
FOR PROFESSIONAL SERVICES TO BE PROVIDED TO THE
CITY OF SANTA CLARA, CALIFORNIA BY HUMITECH OF NORTHERN CALIFORNIA, LLC**

The Parties acknowledge that they entered into Call No. 07-1 ("Original Call"), dated April 3, 2007. The Original Call was previously amended by Amendment No. 1, dated April 1, 2008 and the Parties now agree that on this ____ day of _____, 200 __, this Amendment No.2 to Call 07-1 For Professional Services ("Amended Call") is made and entered into pursuant to the terms of a Call Agreement between the Parties entitled, "Call Agreement by and Between the City of Santa Clara, California and Humitech of Northern California, LLC," dated April 3, 2007, ("Call Agreement"). The terms of the Call Agreement and the Original Call are incorporated by this reference.

This Amended Call describes the Services to be provided to the City of Santa Clara, California ("City") by Humitech of Northern California, LLC ("Contractor"), which are fully described in Contractor's proposal to City entitled "Proposal for Silicon Valley Power 2008 Keep Your Cool Program Extension" dated October 29, 2008 ("Proposal"), attached to this Amended Call as Exhibit A and incorporated by this reference. The Parties agree that this Amended Call incorporates all of the Services ("Services") which were to be performed by the Contractor under the Original Call, as well as all of the additions, modifications and/or deletions to the Services to be performed under this Amended Call ("Revised Services"). It also includes a revised 'not to exceed' dollar amount to be paid for the Revised Services to be performed under this Amended Call. The Revised Services to be performed under this Amended Call shall be completed within the time period beginning on December 1, 2008, and ending on November 30, 2009, an extension of five months. The attached Proposal contains a complete description of the Revised Services, and specifies the performance dates for the completion of the Revised Services, to be performed by the Contractor under this Amended Call. In no event shall the amount paid to the Contractor for the Revised Services provided to City by the Contractor under this Amended Call, including all fees or pre-approved costs and/or expenses, exceed three hundred eighty five thousand six hundred forty six dollars (\$385,646.00), subject to budgetary appropriations. This Amended Call supercedes and replaces the Original Call and Amendment No. 1 to the Original Call and includes the entire amount of payments to the Contractor for the Revised Services to be provided to the City.

The Parties acknowledge and accept the terms and conditions of this Amended Call, as evidenced by the following signatures of their duly authorized representatives.

**CITY OF SANTA CLARA, CALIFORNIA,
a chartered California municipal corporation**

Approved as to Form:

HELENE L. LEICHTER
City Attorney

Attest:

ROD DIRIDON, JR.
City Clerk

By: _____
JENNIFER SPARACINO
City Manager

1500 Warburton Avenue
Santa Clara, CA 95050
Telephone: (408) 615-2210
Fax: (408) 241-6771

"City"

**HUMITECH OF NORTHERN CALIFORNIA, LLC.
A California Limited Liability Corporation**

By: _____
JOHN PINK
Title: Owner
Address: 240 Polaris Avenue, Unit C
Mountain View, CA 94043
Telephone: (650) 271-5781
Facsimile: (408) 904-4518

"Contractor"

PROPOSAL FOR SILICON VALLEY POWER
2008 *KEEP YOUR COOL* PROGRAM EXTENSION

HUMITECH OF NORTHERN CALIFORNIA, LLC

HUMITECH OF NORTHERN CALIFORNIA, LLC
240 Polaris Avenue, Unit C
Mountain View, CA 94043
Telephone: (650) 968-1805
Fax: (408) 904-4518
E-MAIL: JRPINK@BAYAREAGASKETGUY.COM
WEB: [HTTP://WWW.BAYAREAGASKETGUY.COM](http://WWW.BAYAREAGASKETGUY.COM)

CONTACT: JOHN PINK

DATE: OCTOBER 29, 2008

SECTION I: INTRODUCTION

To date the *Keep Your Cool* program by Bay Area Gasket Guy has saved approximately 3 million kWh in first year savings at a levelized cost of \$0.0867/kWh. The program has done this by focusing on refrigeration within the food and beverage industry in the City of Santa Clara. The program is fully subscribed but there continues to be opportunities for savings. Since the up-front costs of program development have already been incurred, future savings can be realized at an even better rate.

Between 30% and 50% of the electricity used in restaurants, grocery stores, liquor stores, convenience stores, and bars is consumed by their refrigeration equipment. Broken door gaskets (the seal around the door) cause refrigerators and freezers to run excessively as the cold air simply leaks into the hot kitchen or store. Missing strip curtains allow the cold air to pour out of a walk-in cooler every time the door is opened.

The *Keep Your Cool* program addresses these problems by offering Santa Clara businesses the opportunity to replace broken door gaskets and install new strip curtains at no cost. In other programs such as the BEST program in the East Bay, the no cost approach has proven to be effective in motivating hard to reach constituents to install efficiency measures. Combining Bay Area Gasket Guy's low cost gasket and strip curtain installations with SVP's incentive money makes these no cost to the customer installations possible.

SECTION II: PROPOSAL

PROGRAM TARGETS

The *Keep Your Cool* program is focused on the food and beverage industry, where refrigeration is responsible for a large percentage of the electricity used. The food and beverage industry breaks down into the following categories: Restaurants, Grocery, Convenience, and Liquor stores, Health Care facilities, and Bars.

Restaurants – To date 105 of 325 restaurants in the city of Santa Clara have participated in the program. In our experience, at least 80% of all restaurants have broken gaskets that leak cold air from the equipment. We are targeting a total of 40 to 45 percent program penetration rate and an average of 90 feet of gaskets replaced and 1 new 20 square foot strip curtain per restaurant.

Grocery, Convenience, and Liquor stores – So far 45 of the 80 stores in this category in Santa Clara have participated in the program. This exceeds the original 50% goal. We are increasing goal to a range of 60 to 70 percent and an average of 130 feet of gaskets replaced and 1 new 20 square foot strip curtain per store. The store type of large grocery store was not included in our original proposal and several supermarkets have

participated and others are interested in participating if the program is extended. This should greatly increase the total savings generated from this category.

Health Care facilities – These facilities include assisted living as well as hospitals. So far only 1 such facility has participated. We still hope to include more of these sites but are reducing our goal to 25%.

Bars – There are approximately 20 bars in Santa Clara. So far only a couple of bars have participated. We still believe our original target of 30% is achievable.

The revised goal is to increase total savings by 1,625,000 kWh at .08 cents/kWh.

INCENTIVE STRUCTURE

Gasket incentives are paid on a linear foot of installed gasket basis. The incentive per foot is \$8.32. Given that each foot of installed gasket saves 104 kWh/year, this is exactly \$0.08/kWh saved

Strip curtain incentives are paid on a square foot of installed curtain basis. The incentive per square foot is \$12. Given that each square foot of strip curtain saves 465 kWh/year, this comes to \$0.026/kWh saved.

The total incentive provided for a given customer comes to $(\$8.32 * \text{linear feet of gasket installed}) + (\$12 * \text{square feet of strip curtains installed})$. This covers the entire cost of the gasket and strip curtain materials and installation for the customer, including sales tax.

PROGRAM STATEMENT

The food and beverage industry consists mostly of small, independent businesses. Even the well known players are often locally owned franchise units. In our experience, very few of these businesses invest the money in their refrigeration equipment that is necessary for it to run efficiently. The Keep Your Cool program assists these businesses by providing high kWh return capital improvements at no cost to the business and relatively low program cost to the utility.

PROGRAM METRICS

The *Keep Your Cool* program will measure four metrics to track program success:

- A. Linear feet of gasket installed
- B. Square feet of strip curtain installed
- C. Type of facility where installation took place

D. Total number of installations

These metrics will be tracked by documenting items A, B and C on each invoice. (Bay Area Gasket Guy currently already tracks this information in this manner). On a monthly basis, the Program Manager will total the invoices for that month to collect metric D. This information will be compared to the program goals set in the Program Delivery section below to determine how successfully the program is operating.

PROGRAM DEVELOPMENT

As this is a continuation of the existing program, there are no new program development activities.

PROGRAM DELIVERY

Once the *Keep Your Cool* program re-opens, Bay Area Gasket Guy will deliver the program in the following manner:

Direct Mail postcards will be sent to all potential *Keep Your Cool* program clients. Postcards will be mailed as needed to generate interest in the program. Since this will be the last extension for the program in its current form, we will deliver a "Last Chance" postcard to prospects that have yet to participate. This strategy has worked very well for other programs as they have drawn to a close.

In addition to direct mail, we will continue on-site visits by our Field Estimator. Initial site visits will be conducted as a "cold call." Gasket Guy will systematically approach all potential program participants in Santa Clara.

Once a Client has expressed an interest in participating in the program and their eligibility has been confirmed, the Field Estimator will visit the site and inspect the coolers and freezers on the premises and deliver a proposal at that time. The proposal will be delivered to the client as a hard copy, but it will be available as a soft copy. Currently Bay Area Gasket Guy produces program proposals in Excel. The client may accept the proposal immediately or at anytime before the program ends.

Once a proposal has been accepted, Gasket Guy will schedule production and installation of the proposed measures. Measures will, on average be installed within two weeks. Occasionally, uncommon gaskets can have longer than average manufacturing/procurement timelines and may delay completion of measure installation.

Once the measure installation is complete, the Client will sign the Project Completion Form. At this point Gasket Guy will submit the job for payment.

Measures installed by Bay Area Gasket Guy have a 1 year warranty on parts and installation.

PROGRAM SCHEDULE

Assuming a Dec. 1st, 2008 program renewal date Bay Area Gasket Guy will begin Program Delivery immediately. It is recommended the program be extended for 1 calendar year.

PROGRAM MARKETING

Bay Area Gasket Guy has been successful in attracting nearly a thousand customers to the PG&E Energy Efficiency program, the BEST Energy program and the Energy Smart Grocers program in the past year. For the *Keep Your Cool* program, we will use a multi-channel approach consisting of direct mail sent every other month supported by the website and followed up with a personal visit from our Estimator. This will guarantee that we will be talking to a large number of decision makers. Even so, since we will be offering no-cost installs, which seems too good to be true, credibility can be a factor. That is where SVP can help. One way is to provide SVP logo marketing materials for the *Keep Your Cool* program. Another is to send an SVP representative out with our estimator to meet customers and let them know the program is legitimate. Our experience is the customer trusts the utility company much more than the service implementer.

QUALITY ASSURANCE AND MEASURE VERIFICATION

Bay Area Gasket Guy uses OEM gasket profiles on all equipment. All materials used in gasket and strip curtain production come from NSF approved suppliers. All work orders are reviewed before being sent to the shop for production. In production each gasket is marked with its work order number and door tag number (door tag stickers are placed on every door when the estimator does the inspection). In post-production all gaskets are checked for proper welds, accurate profile (the OEM shape), magnetic polarity and size.

Once on-site to be installed a gasket both fits and the door seals well or it does not. Our installers are trained in how to adjust gaskets and door hardware to ensure a properly sealing door. If there is a problem (e.g. wrong size due to poor measurement) the gasket cannot be installed. In this event the installer will take a proper measurement, inform the client of the issue and submit the job back to the shop to be re-made. We return to the job site to rectify the error as soon as feasible, almost always within one week. In short, gaskets can be thought to QA themselves, because a bad gasket will not seal, and that is something the customer will be able to identify quite easily. Since the job cannot be submitted for payment without the signed project completion form, the customer is the final judge on the verification of measure installation.

PROGRAM PERSONNEL

Program Manager – John Pink
Operations Manager – Charles Schmelz
Field Estimator – Kenneth Dotson

SUBCONTRACTORS

Bay Area Gasket Guy does not require the use of subcontractors for any of the Direct Implementation measures in this proposal.

SECTION III: PRICING

Operations:

Operational costs fall into two categories, fixed and variable.

Marketing

- Postcard printing, addressing and postage: Not to exceed \$1,600.00 for more than 6,000 postcards

Total incremental Fixed Costs for the Keep Your Cool program are set not to exceed \$1,600.

Variable costs are associated with each retrofit installation. Variable costs fall into the following categories:

- Program Management – roughly 2 hours per job @ \$50.00/hour
- Program Operations – roughly 2 hours per job @ \$60.00/hour
- Field Service Rep – roughly 3 hours per job @ \$30.00-\$35.00/hour

Variable costs are incurred per job and vary little with the size of the job. This is because inspections, customer interactions, paperwork, scheduling, QA, verification and reporting all take about the same amount of time for a small job as they do for a large job.

Total incremental Not to Exceed Project Cost (see 40% penetration rate in the pricing table on page 9)--\$130,000.00, in addition to original \$255,646.00, for a total of \$385,646.00.

Direct Install:

Direct installation costs are variable and are based on the size of the job.

- Cooler/Freezer door gaskets: \$8.32/linear foot plus applicable sales tax
- Strip curtains for walk-in cooler and freezer doors: \$12.00/square foot, plus applicable sales tax.

Terms:

Payments for completing the tasks detailed in this proposal shall be made by SVP upon satisfactory completion of Program Development, Program Delivery and Program Administration.

All invoices must be in a form satisfactory to SVP.

Invoices for Program Administration will be delivered monthly on or near the reporting month end date. Payment will be accepted on a Net 30 basis.

Invoices for program implementation, i.e. installment of energy efficient measures, will be made weekly. Gasket Guy will submit individual invoices for each job completed. Payment will be accepted on a Net 30 Basis.

SECTION IV: SUMMARY

Bay Area Gasket Guy is proud to have well over 150 energy efficiency retrofit projects in the City of Santa Clara. Due to the fact that existing PG&E and PG&E administered programs do not operate in Santa Clara, the *Keep Your Cool* program offers Santa Clara businesses access to the same energy and cost saving programs available to their competitors elsewhere in the Bay Area. Likewise, SVP will get to enjoy the benefit of high a Return on Investment for its public benefit dollars.

CITY OF SANTA CLARA
AGENDA MATERIAL ROUTE SHEET

Council Date: January 13, 2009

SUBJECT: Approval of Amendment No. 2 to Call No. 07-1 with Humitech of Northern California, LLC to
Extend the Third Party "Keep Your Cool" Energy Efficiency Program for Businesses; and Appropriation of
Additional Public Benefit Funds

CERTIFICATION

The proposed Amendment No. 2 to Call No. 07-1 with Humitech of Northern California, LLC
Regarding: Extension of Third Party "Keep Your Cool" Energy Efficiency Program for Business
has been reviewed and is hereby certified.

PUBLICATION REQUIRED:

The attached Notice/Resolution/Ordinance is to be published ____ time(s) at least ____ days before the
scheduled meeting/public hearing/bid opening/etc., which is scheduled for _____, 2008.

AUTHORITY SOURCE FOR PUBLICATION REQUIREMENT:

Federal Codes:

Title _____ U.S.C. § _____
(Titles run 1 through 50)

California Codes:

Code _____ § _____
(i.e., Government, Street and Highway, Public Resources)

Federal Regulations:

Title _____ C.F.R. § _____
(Titles run 1 through 50)

California Regulations:

Title _____ California Code of Regulations § _____
(Titles run 1 through 28)

City
City Charter § _____ (i.e., 1310. Public Works Contracts. Notice published at least once at least ten days before bid opening)
City Code § _____

1. As to City Functions, by
2. As to Legality, by
3. As to Environmental
Impact Requirements, by
4. As to Substance, by

John C. Ronkuma
Department Head

Lindsay Spick
City Attorney's Office/CAO Assignment No. 08.1633

Director of Planning and Inspection

J. Sparacio
City Manager

Revision Date: June 7, 2005